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May 26, 2009

U.S. Public Finance Report Card:

State Housing Finance Agency Single-Family Programs Remain Strong Despite Housing Market Challenges

Primary Credit Analyst:
Lawrence Witte, San Francisco (1) 415-371-5037; larry_witte@standardandpoors.com

Secondary Credit Analyst:
Valerie White, New York (1) 212-438-2078; valerie_white@standardandpoors.com

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With a depressed real estate market, a continuing recession, tight credit markets, and problems with mortgage insurance, uncertainties exist in the U.S. housing market. Nevertheless, Standard & Poor's Ratings Services continues to view ratings on housing finance agency (HFA) bonds backed by single-family dwellings as strong. However, we believe difficult financial and economic conditions could lead to some weakening.

We believe a bond's exposure to whole loans -- especially those that rely on private mortgage insurance (PMI) -- and variable-rate debt may influence the stability of its rating. If the portfolio backing the bond has significant exposure to PMI, the credit quality of the PMI provider may affect the likelihood of payment. In addition, incorporating variable-rate debt adds uncertainty, in our view, particularly given the recent bankruptcy of Lehman Brothers, which served as a swap counterparty through several entities, and downgrades of liquidity banks, such as Dexia Credit Local and Depfa Bank.

However, we find that fixed-rate bonds with 'AAA' rated mortgage-backed security (MBS) collateral with an implied guaranty or explicit support from the U.S. government or a government-sponsored entity face fewer credit risks. In our view, substituting whole loans for MBS introduces the threat of foreclosure, but if the mortgage insurance is from the Federal Housing Administration (FHA), the guarantee covers about 98% of the loan once the foreclosure process is complete.

Of the 40 single-family backed HFA bond issuances that we currently rate, we have taken negative rating actions on four HFA programs in the past 12 months compared to three positive actions. While the number of recent negative actions has been in our opinion limited, uncertainty regarding mortgages, mortgage insurance, and variable-rate debt suggests, in our view, that HFAs may continue to face declining credit strength. Furthermore, we believe this weakening may manifest itself in a deterioration of cash flows, which could result in more negative rating actions for the programs we rate.

The Real Estate Market Continues Its Slide

The S&P/Case-Shiller Price Indices reported price declines for every month of last year, and through February 2009. Both the 10-city and 20-city composites fell 19% from the previous February and are down about 30% from their peaks in mid-2006.

The significance for HFAs is that, in our view, lower housing values could result in higher foreclosure rates and higher losses from foreclosure. We believe another factor is the continuing recession, in that higher unemployment could affect HFA borrowers. Earlier this decade, delinquency rates declined as borrowers were able to sell their property or HFAs were able to foreclose on loans, in either case at a price that would pay the outstanding loan balance. We believe current market conditions reduce the possibility of these scenarios, exposing HFAs to real estate losses.

Indentures Dependent Upon PMI Providers Are Vulnerable

Probably the most significant challenge affecting HFA bonds, in our opinion, is the deteriorating credit quality of PMI providers. In early 2008 seven major PMI providers had ratings of at least 'AA-', but we currently rate none that high: Two are in the 'A' category, two are at 'BBB+', and three are speculative grade ('BB+' or lower). As PMI ratings deteriorated, Standard & Poor's instituted a discount factor to recovery from providers whose ratings were lower than those of associated bonds. Most bonds backed by whole loans are rated at least 'AA-', and the discounted credit for recovery is significant (see table 4).

HFA Loan Performance Remains Strong

In our view, the strong performance of HFAs' loan collateral has minimized negative rating action on HFA bonds. With few exceptions, HFAs offer 30-year fixed-rate loans. They require full documentation and income verification and do not provide loans with teaser rates. HFAs also offer homebuyer education, which can result in a prospective buyer deciding to rent instead, and many HFAs have active multifamily rental programs to fill that need. As a result, their performance has been steady even as single-family indentures have grown. Furthermore, eight HFA bond issuances that we have rated contain mostly or entirely 'AAA' eligible MBS.

The average delinquency rate (60 days or more delinquent or in foreclosure) for loans within the HFA whole loan bond programs was 4.44% on Dec. 31, 2008, up from 3.28% a year earlier. To put these figures in perspective, our reserve assumptions include sufficiency to withstand a foreclosure rate of 32% at the 'AA' rating for a pool of loans in a large state. Therefore, we find that deteriorating loan performance by itself is not likely to cause a rating change.

However, we believe it is not certain whether HFA bonds will remain constant given the current real estate market. Those with high compositions of 'AAA' MBS or FHA insurance have the greatest security, in our view. We believe those with high PMI coverage have exposure to deteriorating mortgage support in addition to issues with loan performance.

Just A Few Negative Rating Actions Have Occurred

Of the 38 single-family state HFA bond issuances and the two veterans' single-family bond issuances that we rate, 40% are rated 'AAA', and all but 3% are rated at least 'AA-' (see chart).

The high credit quality of these programs stems from several factors. We find that, in general, HFAs have followed good oversight practices and have, in some cases, serviced substantial portions of their mortgage pools. By staying aware of the status of the loans that they finance under whole loan programs, HFAs have been able to mitigate some losses arising from delinquencies. HFAs had been able to maintain a reasonable level of loan production, either through recycling of prepaid mortgages or through the use of new bond proceeds until recent declines in mortgage rates made HFA loans too expensive in comparison. In our view, HFA bonds benefit from being backed by a large number of loans: This diversifies default risk, loan seasoning, and loan insurance guarantees in the event of foreclosure.

The first negative rating action to an HFA indenture was to Vermont Housing Finance Agency's single-family housing bonds, which we downgraded to 'BBB+' from 'A+' following the declining ratings of PMI providers. Other factors contributed to the rating change -- including our view of the reduced credit quality of investment contracts and stresses from variable-rate debt -- but we believe the most significant factor was the deteriorating asset position related to PMI. More recently, we placed the ratings on both of Wisconsin Housing and Economic Development Authority's home ownership bonds on CreditWatch with negative implications largely because 80% of the loans were exposed to PMI and pool policies.

Other rating actions include revising the rating outlook on California Housing Finance Agency's home mortgage revenue bonds (HMRBs) to negative from stable, revising the rating outlook on Minnesota Housing Finance Agency residential housing finance bonds to positive from stable (see table 2), raising the rating on the Tennessee Housing Development Agency's homeownership program bonds to 'AA+' from 'AA', and, most recently, revising the rating outlook on Alaska's HMRBs to positive from stable (see table 3).

High-Quality Collateral Is Important

Most of the underlying mortgage loans in whole loan programs are insured or guaranteed through the FHA or the Veterans Administration (VA), conventionally insured, or are uninsured and have a loan-to-value (LTV) ratio of no more than 80%. Generally, we rate these bonds backed by whole loans in the 'AA' category depending on their mortgage mix, state size, and level of overcollateralization.

Some HFAs obtain stronger credit support through wrapping loans in MBS that guarantee the payment of the bonds from Fannie Mae, Ginnie Mae, or Freddie Mac. The 'AAA' guarantee to pay 100% of the principal and interest on the MBS is the strongest payment pledge available under a single-family HFA program. The 40 programs (including veterans programs) we rate contain 32 bond issuances backed primarily by whole loans and eight bond issuances backed primarily by MBS collateral. We rate eight whole loan indentures 'AAA'. Three others have a tranche structure that collateralizes the senior bonds to a 'AAA' level to compensate for the relative weakness of their loans in comparison with those of a 'AAA' guaranteed MBS.

Variable-Rate Debt Introduces Uncertainty

We believe exposure to variable-rate debt poses certain credit risks to HFA bonds backed by single-family dwellings. Variable-rate debt has allowed some HFAs to remain competitive, in our view, enabling issuers to finance affordable housing and lower their cost of capital. Yet we believe variable-rate debt introduces significant risk, uncertainty, and counterparty reliance that can lead to stress on issued bonds. In most cases, we have found that the indentures that relate primarily to variable-rate debt also have high asset-to-liability parity, but, along with real estate performance and PMI strength, variable-rate demand options can place strain on issued bonds.

Twenty-five of the single-family HFA bond issuances we rate include some variable-rate debt. Our analysis of variable-rate debt includes fluctuations in interest rates, potential mismatches between the rates on the bonds and the variable rate paid by a swap counterparty, amortization differences between the hedged bonds and the swaps, fees associated with liquidity, and altered debt service upon the conversion of bonds to bank bonds. Rating actions on liquidity banks and the bankruptcy of Lehman Brothers in September 2008 caused HFAs with hedging exposure with any Lehman affiliate to lose the support of the swap and either terminate the swap or find a new counterparty. Subsequent credit turmoil in the fall of 2008 led to a rise in tax-exempt short-term rates and tendering of billions of dollars in bonds that remarketing agents could not sell back to the market. These bonds were held by liquidity banks for many weeks.

At one time Cal HFA had more than $1 billion in bank bonds. The agency's exposure to variable-rate debt was an important factor in our revision of the outlook on the agency's HMRB rating and its issuer credit rating (ICR) to negative from stable. More recently, we understand that some HFAs, including Cal HFA, have reevaluated their overall debt profiles and are making efforts to diversify their liquidity and swap counterparties.

Single-Family Indentures Remain Stable, Yet Caution Is Needed

In our opinion, most HFA single-family indentures have continued to perform well despite the recent housing market developments and credit market events. However, we believe that HFAs need to remain aware that rising delinquencies and recent downgrades of the mortgage insurer's rating may negatively affect the rating of these indentures. We believe that a significant drop in housing prices may cause some borrowers to default, resulting in a rise in delinquencies, which may cause a rating trigger. We believe that the single-family-backed HFA bonds are still of good credit quality, but a variety of factors, including shaky U.S. housing markets; a weak economy; limited market access for HFA bonds; and weaker support from mortgage insurers, swap counterparties, and liquidity banks, may negatively impact performance.

Major Active Single-Family Indentures

Table 1

Housing Finance Agency-Indenture/Rating/Comments¶	Current Parity (%)	Analyst
Alaska Housing Finance Corp. (AHFC) -- general mortgage revenue bonds (AAA/Stable)		
These bonds include two series backed by mortgages with a par amount of $370 million as of Dec. 31, 2008. As of Dec. 31, 2008, the series were backed by mortgages that are 35% uninsured, 26% FHA insured, 20% guaranteed by the VA, and 15% conventionally insured. As of Dec. 31, 2008, the delinquencies on the loans within the program were 1.16%, lower than the state's average of 2.13% for the corresponding period. The bonds are all fixed rate.	133	Karen Fitzgerald
AHFC -- mortgage revenue bonds (AAA/Stable)		
The bonds are secured by $277 million in outstanding mortgages, 48% of which have FHA insurance, 17% of which have VA guarantees, 19% of which are uninsured, and 5% of which are conventionally insured. In our opinion, the mortgage loans have performed well, as the delinquency level is extremely low. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 1.82%, lower than the state's average of 2.41% for the corresponding period. The bonds are all fixed rate.	124	Karen Fitzgerald
AHFC -- HMRBs (AA/Positive)		
These parity bonds are secured by AHFC's general obligation (GO) pledge (AA/Positive) and first-time homebuyer mortgage loans made by the corporation. The loan portfolio as of Dec. 31, 2008, consisted of 36% FHA-insured loans, 22% VA-guaranteed loans, 25% uninsured loans with LTV of no more than 80%, 11% conventionally insured loans, and 7% from USDA. As of Dec. 31, 2008, the delinquencies on loans within the program were 1.54%, lower than the state's average of 2.28% for the corresponding period. Thirty-seven percent of the bonds are variable rate.	109	Karen Fitzgerald
Arkansas Development Finance Authority (ADFA) -- single-family mortgage revenue bonds (MBS program) (AAA/NM)		
There is currently approximately $478 million in outstanding bonds, which are secured by mortgages that are guaranteed by Fannie Mae and Ginnie Mae MBS. ADFA eliminates negative arbitrage on new issues through its warehousing program, whereby loans are generally originated prior to bond issuance. ADFA decided to use the variable-rate drawn down bonds in fiscal 2008 based on the flexibility in terms of the amount they could pledge in collateral, and on interest rates being more competitive.	113	Mikiyon Alexander
California Housing Finance Agency (Cal HFA) -- HMRBs (AA-/Negative)		

This is Cal HFA's main bond issuance, consisting of $6.8 billion in bonds. About 64% of HMRB debt is variable rate of which 54% is variable rate swapped to fixed rate. The bonds are backed by loans secured by approximately 34,000 mortgages, 65% of which are conventionally insured; the remainder is insured by the FHA (34%) or guaranteed by the VA (1%). As of Dec. 31, 2008, the delinquencies on the loans were 6.64%, higher than the state's average of 6.24% for the corresponding period. As of Dec. 31, 2007, 24% of the issued loans were interest only, and less than 2% had 40-year terms, but the agency has ceased all loan financing other than 30-year immediately amortizing fixed-rate loans. PMI must cover 50% of any loan.	105	Karen Fitzgerald
Colorado Housing and Finance Authority (CHFA) -- single-family mortgage bonds (AAA/Stable, AA/Stable, A+/Negative*)		
In 2001, CHFA issued bonds backed by single-family dwellings. The agency uses a three-tranche structure. Approximately $2.28 billion in bonds is secured by approximately $1.98 billion in mortgages. CHFA uses second-mortgage loans to finance down payment assistance and closing costs. The no-interest, nonamortizing loans enable CHFA to recoup these funds upon refinancing the first mortgage. Of the first-lien mortgages, around 64% were FHA insured, 8% were guaranteed by the VA, around 19% were conventionally insured, 2% were RD insured, and 7% were uninsured but had a maximum 80% LTV ratio. Approximately 87% of the single-family debt is variable rate, with approximately 85% of that hedged through swaps. As of Dec. 31, 2008, the delinquencies on the loans within the resolution were 9.64%, above the state's average of 7.06%.	117 for class I, and 107 for class II	Lawrence Witte
Connecticut Housing Finance Authority -- housing mortgage finance program bonds (AAA/Stable)		
This program combines single-family (84%) and multifamily (16%) loans. As of Dec. 31, 2008, 66% of the single-family portfolio is FHA insured or RD guaranteed, 3% is VA guaranteed, 11% is conventionally insured, and 20% is uninsured. As of Jan. 18, 2008, and until further notice, the authority is no longer accepting PMI-insured home mortgage loan commitments. As of Dec. 31, 2008, the delinquencies on the loans were 6.58%, below the state's average of 7.07% for the corresponding period. As of Sept. 1, 2008, almost 30% of the debt was variable rate. More than 80% of the variable-rate debt is hedged through interest rate swaps.	111	Moraa Andima
Florida Housing Finance Corp. (FHFC) -- homeowner mortgage revenue bonds (AA+/Stable)		
FHFC currently issues all its single-family mortgage revenue bonds under this program. It began as a whole loan indenture in 1995, but in 2002 FHFC issued bonds under the indenture that were backed by MBS as well. As of June 30, 2008, the indenture's mortgage assets were about 89% MBS and 11% whole loans. Payments from the MBS are guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. Of the 11% that was identified as comprising single-family whole loans, 20% were insured by PMI, of which 83% were insured with Radian Asset Assurance Inc. and 17% through Genworth Mortgage Insurance Corp. As of Dec. 31, 2008, the delinquencies for loans within the program were 8.37%, lower than the state's average of 12.00% for the corresponding period.	105	Edward Ubiera
Georgia Housing and Finance Authority -- single-family mortgage bonds (AAA/Stable)		
The loan portfolio consists of about 8,500 loans. As of Dec. 31, 2008, 77% were FHA insured, 5% were VA guaranteed, and 6% were RD guaranteed; the remaining 12% included conventional loans. Delinquencies within the program were 11.25%, below the state's average of 12.06%. All debt is fixed rate.	104	Mikiyon Alexander
Illinois Housing Development Authority -- homeowner mortgage revenue bonds (AA/Stable)		
The portfolio is composed of conventionally insured mortgages (68%), federally insured loans (6%), or uninsured loans (26%) as of Dec. 31, 2008. Loss coverage is provided by pool insurance policies covering 3.5% of certain mortgage pools and program equity. Variable-rate debt usage is in our view low at 7% of bonds outstanding, with approximately two-thirds of that debt unhedged. As of Dec. 31, 2008, the delinquencies on the loans in the program were 5.05%, slightly above the state's average of 4.85% for the corresponding period.	104	Carolina Patino
Iowa Finance Authority (IFA) -- single-family mortgage bonds (MBS program) (AAA/Stable)		
Since 1991 IFA has issued debt that carries its GO pledge under its single-family indenture. The collateral backing the bonds is made up of Fannie Mae and Ginnie Mae MBS. There are more than $1 billion bonds outstanding, and around 33% of the outstanding bonds are backed by single-family dwellings and were issued at variable interest rates. The authority has utilized interest rate swaps and caps to hedge all its variable-rate risk exposure.	107	Carolina Patino
Kentucky Housing Corporation (KHC) -- housing revenue bonds (AAA/Stable)		
KHC issues both single-family and multifamily debt under one parity indenture. The mortgage portfolio securing the debt consists of 97% single-family loans and 3% multifamily loans. As of Dec. 31, 2008, of the single-family loans, 46% of are FHA insured, 4% are VA guaranteed, 20% are RD guaranteed, and the remaining 30% includes conventional loans. KHC has about 13% variable-rate bonds. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 8.18%, higher than the state's average of 7.09% for the corresponding period. In our view, the indenture's assets are sufficient to provide self-liquidity for some variable-rate bonds.	108	Mikiyon Alexander
Maine State Housing Authority (MSHA) -- mortgage purchase program (AA+/Stable)		

The portfolio is approximately 70% single-family and 30% multifamily housing. Approximately 25% of the single-family portfolio comprises conventionally insured loans; 25% are FHA insured, 7% are VA guaranteed, 30% are RD guaranteed, and 12% of the loans are not required to have mortgage insurance because their LTV is less than 80%. The multifamily portfolio consists of projects that receive federal assistance through either the Department of Housing & Urban Development's Section 8 or 236 programs, accounting for approximately 30% of the multifamily portfolio. The remainder of the multifamily portfolio is uninsured. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 5.95%, lower than the state's average of 6.38% for the corresponding period. Approximately 22% of MSHA's outstanding debt was issued as variable rate, and 80% of the variable-rate debt is swapped.	114	Edward Ubiera
Massachusetts Housing Finance Agency -- single-family housing revenue bonds (AA/Stable)		
As of Dec. 31, 2008, 8,697 first mortgage loans were pledged to securitize the bonds. The mortgage portfolio contains conventionally insured single-family loans (56%) and a small number of federally insured loans, with 43% of loans uninsured. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 2.18%, lower than the state's average of 3.79% for the corresponding period. Around 4% of bonds outstanding are issued at variable rates, approximately 69% of which are hedged through an interest rate swap.	107	Moraa Andima
Michigan State Housing Development Authority (MSHDA) -- single-family mortgage revenue bonds (AA+/Stable)		
MSHDA currently issues all of its single-family bonds under this indenture. The bonds are secured by a GO pledge from the authority. Approximately 32% of the single-family portfolio comprises conventionally insured loans. Forty-three percent are FHA-insured loans, 2% are VA-guaranteed loans, 16% are RD-guaranteed loans, and 8% are uninsured. As of Dec. 31, 2008, delinquencies on the mortgage loans were 9.57%, lower than the state's average of 11.65%. About 86% of the single-family debt outstanding is variable rate, of which 55% is hedged with a swap.	118	Mikiyon Alexander
Minnesota Housing Finance Agency (MHFA)--residential housing finance bonds (AA+/Positive)		
All bonds carry MHFA's GO pledge and the state of Minnesota's (AAA) moral obligation pledge. As of Dec. 31, 2008, of the total number of mortgages securing the bonds under the indenture, 40% receive federal mortgage insurance or guarantees, 48% are conventionally insured, and the remaining 12% are uninsured. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 6.70%, slightly above the state's average of 4.92% for the corresponding period. The agency has recently begun originating 40-year loans under the program. Variable-rate debt exposure is 23% of bonds, and is hedged with interest rate swaps.	106	Carolina Patino
Missouri Housing Development Commission (MHDC) -- single-family homeownership loan program (MBS program) (AAA/Stable)		
MHDC issues single-family debt solely under this indenture, which is secured by mortgages that are guaranteed by Ginnie Mae and Fannie Mae MBS. Currently, there is more than $1 billion in debt outstanding. Under the program, MHDC originates loans with and without 3% down payment assistance. Bond proceeds, agency contributions, and bond premiums deposited at closing in our view help bolster the strength of the issue and cover negative arbitrage, reinvestment risk, and payment lags.	104	Moraa Andima
Montana Board of Housing -- single-family program bonds (1977 indenture) and single-family mortgage bonds (1997 indenture) (AA+/Stable)		
Montana issues under two indentures -- 1977 and 1997. Bonds issued under the 1977 indenture are secured by 6,249 mortgage loans, of which approximately 55% are FHA insured, 10% are VA guaranteed, 18% are RD insured, and 11% have conventional insurance. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 1.94%, lower than the state's average of 3.28% for the corresponding period. Bonds issued under the 1997 indenture are secured by approximately 3,998 mortgage loans, of which approximately 70% are FHA insured, 8% are VA guaranteed, and 21% are RD insured. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 1.53%, below the state's average of 3.58% for the corresponding period. The bonds issued under both indentures are entirely fixed rate.	106 in the 1977 indenture, and 123 in the 1979 indenture	Lawrence Witte
Nebraska Investment Finance Authority (NIFA) -- single-family housing revenue bonds (MBS program) (AAA/Stable)		
This is NIFA's only active single-family indenture under which the bonds issued are supported by Ginnie Mae, Freddie Mac, and Fannie Mae MBS. Program equity, equaling $189 million as of March 1, 2009, is in our view very strong. Thirty-nine percent of the debt outstanding is variable rate. The interest rate risk on most of this debt is hedged by interest rate swaps or caps. In our opinion, cash flows indicate that the authority is able to withstand the stress imposed by the use of variable-rate debt.	112	Carolina Patino
Nevada Housing Division (NHD) -- mortgage purchase bonds (MBS program) (AAA/NM' for 2006 indenture; 'AAA/NM', 'AA-/Positive' for 2008 indenture)		
NHD has two recent MBS indentures, established in 2006 and 2008. The division issued five series of bonds under its single-family mortgage revenue parity indenture opened in 2006. Twenty-three percent of debt issued under this indenture is variable rate. NHD hedges its interest rate exposure on the variable-rate debt in this and the more	101 for the 2006 indenture, and 106 for the senior bonds	Lawrence Witte

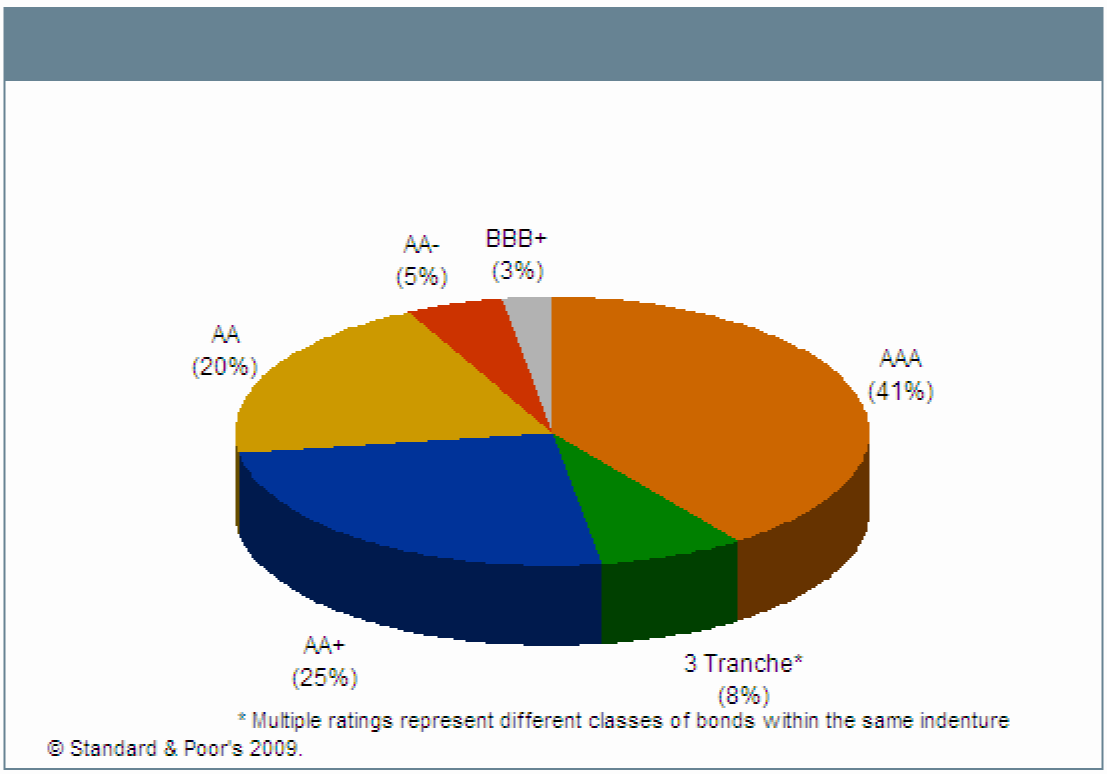
recent indenture through swaps provided by Bank of New York NA. NHD's 2008 indenture is very similar, with MBS providing the loan collateral. One significant difference is that the structure includes a subordinate tranche of bonds that the division's GO pledge (AA-/Positive) supports. Thirty-two percent of the senior bonds are variable rate.	of the 2008 indenture	
New Mexico Mortgage Finance Authority (NMMFA) -- mortgage purchase bonds (MBS program) (AAA/NM) In 2005, NMMFA opened a parity indenture under which it has issued 17 series of bonds to date. Prior to this, NMMFA issued standalone, nonparity debt. Both parity and nonparity debt are fixed-rate bonds rated 'AAA' based on the authority's origination of loans using Ginnie Mae, Fannie Mae, and Freddie Mac MBS as collateral.	102	Ryan Butler
New Jersey Housing and Mortgage Finance Agency -- single-family housing revenue bonds (AA/Stable) This indenture was adopted in August 2003. At the time the bonds were issued, the agency transferred funds from its prior homebuyer revenue bonds program to secure these bonds in an amount we expected to be sufficient to maintain a 'AA' rating. As of Dec. 31, 2008, the program includes FHA-insured loans (40%), conventional loans (22%), small amounts of VA-guaranteed loans (3%), and Rural Housing Services loans (2%); the balance (33%) are uninsured. Around 46% of the debt under this indenture is variable rate, of which 81% is swapped. As of Dec. 31, 2008, the delinquencies of the mortgage loans were 6.88%, lower than the state's average of 7.83% for the corresponding period.	105	Steve Tencer
North Carolina Housing Finance Agency -- home ownership revenue bonds (AA/Stable) This indenture dates back to May 1, 1998. Fund equity under the parity program opens at $88 million, which grows to $440 million by the maturity of the bonds. Approximately 39% of the single-family portfolio consists of FHA-insured loans, 39% are conventionally insured, 5% are VA guaranteed loans, 10% are RD-guaranteed loans, and 6% are uninsured. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 2.64%, lower than the state's average of 6.39% for the corresponding period.	105	Mikiyon Alexander
Pennsylvania Housing Finance Agency -- single-family mortgage revenue bonds (AA+/Stable) The loan portfolio of approximately 46,700 mortgages contains mainly conventional loans (25%) and FHA-insured loans (47%), with small amounts of VA-guaranteed loans (4%) and Rural Housing Services loans (6%); the balance (18%) are uninsured. The loan portfolio continues to experience a decline in prepayments. Loan loss protection is provided by a leveraged self-insurance fund, whereby the indenture holds an amount equal to 2% of the original outstanding mortgage, with a portion of the remaining coverage reserved in the agency's general fund. As of Dec. 31, 2008, the delinquencies of the loans within the indenture were 4.35%, lower than the state's average of 6.10% for the corresponding period. Around 78% of debt under the indenture is variable rate, of which 50% is hedged.	101, plus coverage through the self-insurance fund and the agency's general fund	Steve Tencer
Rhode Island Housing and Mortgage Finance Corporation -- homeownership opportunity bonds (AA+/Stable) As of Dec. 31, 2008, the indenture had 9,708 mortgage loans outstanding, and is the corporation's sole single-family program. Fourteen percent of the mortgage loan portfolio was either FHA insured, Rural Economic Community Development guaranteed, or VA guaranteed; 60% were insured by PMI; and the balance of 26% was uninsured. The delinquencies of loans within the resolution were 2.39%, lower than state's average of 4.96% for the corresponding period. Variable-rate debt represents less than 5% of total bonds outstanding.	110	Moraa Andima
South Dakota Housing Development Authority -- homeownership mortgage bonds (AAA/Stable) As of Dec. 31, 2008, around 66% of the more than 17,000 loans are either FHA or USDA insured or VA guaranteed, 24% are conventionally insured, and 10% are uninsured. As of Dec. 31, 2008, the delinquencies on the mortgage loans were 2.19%, lower than the state's average of 3.34% for the corresponding period. For this indenture, 24% of debt is variable rate, with 22% being hedged with interest rate swaps. We believe there are sufficient assets securing the bonds to provide liquidity to $104 million of bonds.	113	Ryan Butler
Tennessee Housing Development Agency (THDA) -- homeownership program bonds (AA+/Stable) About 81% of the loans are insured by VA, FHA, or RD. In our view, substantial overcollateralization provides the loss coverage protection. As of Dec. 31, 2008, the issued bonds were secured by 1,998 mortgage loans outstanding. As of Dec. 31, 2008, the delinquencies of the mortgage loans were 8.57%, above the state's average of 7.75% for the corresponding period. However, foreclosures within the state averaged 1.55% but were substantially less on the mortgages securing these bonds (0.83%).	118	Edward Ubiera
Texas Department of Housing and Community Affairs (TDHCA) -- single-family mortgage revenue bond trust indenture (MBS program) (AAA/Stable) This single-family indenture was created in 1980 as a whole loan program. Beginning in 1994, new mortgage loans were credit enhanced by Fannie Mae, Freddie Mac, or Ginnie Mae MBS. As of Dec. 31, 2008, the mix of mortgage collateral under the indenture is 98% MBS and 2% whole loans. Roughly half of the remaining whole loans in the indenture are insured by FHA or guaranteed by VA. The remaining conventional loans in the indenture are fully covered by pool insurance and reserves held in the indenture, which also cover any liquidity needs from loan losses.	106	Ryan Butler

The indenture currently covers about $986 million in outstanding bonds, including about $8 million in junior-lien bonds, and about 33% of variable-rate debt.		
Utah Housing Corporation (UHC) -- single-family mortgage bonds (AAA/Stable, AA/Stable, AA-/Stable*) UHC began a new primary indenture in 2007. The three ratings represent different levels of collateral pledged to senior class I (AAA) and mezzanine class II (AA) bonds, and the agency's GO pledge on the subordinate class III (AA-) bonds. Loans are primarily FHA insured (97%); three percent are VA guaranteed. However, the indenture permits uninsured loans with no more than 80% LTV. Approximately 67% of debt is variable rate; all of it is hedged through interest rate swaps. As of Dec. 31, 2008, the delinquencies and foreclosures within the resolution were just 1.64%, much lower than the state's average of 4.91%.	116 for class I, and 108 for class II	Lawrence Witte
Vermont Housing Finance Agency (VHFA) -- single-family housing bonds (BBB+/Watch Neg) VHFA is no longer issuing bonds under its 1990 single-family bond indenture. As of Dec. 31, 2008, this program had approximately 4,830 mortgage loans outstanding, of which 57% were conventionally insured, 32% were uninsured, and 12% were RD loans. As of Dec. 31, 2008, the delinquencies within the portfolio were 3.14%, above the state's average of 2.65% for the corresponding period. Approximately 20% of VHFA's outstanding debt is variable rate and swapped.	104	Edward Ubiera
Virginia Housing Development Authority -- commonwealth mortgage bonds (AAA/Stable) This $4 billion indenture includes loans that are 32% FHA insured, 10% VA guaranteed, 3% RD guaranteed, 12% conventionally insured (PMI), and 43% that are self-insured loans and loans with less than 80% LTV. The authority has originated what we consider potentially riskier self-insured loans, such as interest-only and high LTV loans, but in 2008 the authority suspended its interest-only product. As of Dec. 31, 2008, the delinquencies of loans within the program were 3.75%, lower than the state's average of 4.32% for the corresponding period. This indenture is entirely fixed rate.	134	Moraa Andima
West Virginia Housing Development Fund -- housing finance bonds (AAA/Stable) The loan portfolio consists of 97% single-family loans and 3% multifamily loans. As of Dec. 31, 2008, all the single-family loans exceeding 80% LTV are either insured by the FHA (21%), VA (6%), or RD (18%), or are conventionally insured (36%). As of Dec. 31, 2008, the loan portfolio had 3.41% as a delinquency rate, lower than state's average of 5.45% for the same period. Of the 44 loans within the multifamily portfolio, 27 receive full or partial Section 8 assistance, and 11 are FHA insured. Variable-rate debt comprises less than 1% of the indenture.	128	Ryan Butler
Wisconsin Housing & Economic Development Authority (WHEDA) -- 1987 and 1988 homeownership revenue bonds (AA/Watch Neg) As of Dec. 31, 2008, the 1987 indenture had 12,447 loans with around $995 million in debt outstanding. As of Dec. 31, 2008, the delinquencies for loans within the indenture were 0.98% lower than the state's average of 3.45% for the corresponding period. As of Dec. 31, 2008, the 1988 indenture had 16,288 loans with more than $1.2 billion in debt outstanding. As of Dec. 31, 2008, the delinquencies for loans within the indenture were 1.08%, lower than the state's average of 3.45% for the corresponding period. Approximately 80% of the loans have primary insurance with private mortgage insurers. The remaining loans are not required by WHEDA to carry insurance because their original LTV was less than 80%. Loss coverage is provided by a combination of pool insurance policies and program equity available under the indentures. Claims on existing pool policies under the indenture have been in our view extremely low. As a result, we do not expect a sudden decline in the portfolio's performance. However, the CreditWatch action reflects our belief that the portfolio's heavy concentration with private mortgage insurers reduces the overall credit quality of its single-family whole loan program under our loss coverage scenario assumptions. WHEDA is what we consider a heavy user of variable-rate debt: More than 50% of the debt outstanding under the indentures was variable rate. More than 90% of the variable-rate debt has been swapped by WHEDA with appropriately rated counterparties.	104 for the 1987 indenture, and 104 for the 1988 indenture	Moraa Andima
Wyoming Community Development Authority (WCDA) -- single-family mortgage bonds (1978 indenture) and housing revenue bonds (1994 indenture) (AA+/Stable) WCDA issues debt under its 1994 and 1978 indentures. The 1994 indenture is the more active, with approximately 9,496 mortgage loans outstanding. As of Dec. 31, 2008, about 51% of the loan portfolio is conventionally insured, 36% is covered through FHA, and 13% is combined coverage from the VA and RD. As of Dec. 31, 2008, the delinquencies and foreclosures within the portfolio were 4% compared with the state's average of 2% for the corresponding period. The number of variable-rate bonds outstanding under the 1994 indenture has grown to 16%. Almost 12% of the total debt is hedged. The 1978 indenture had 1,201 mortgage loans outstanding, of which 46% is variable-rate debt. Currently 89% of total variable-rate debt has liquidity support from an standby bond purchase agreement. As of Dec. 31, 2008, about 27% of the loan portfolio is conventionally insured, 56% is covered through FHA, 8% by RD, and 6% by VA. As of Dec. 31, 2008, the delinquencies of loans within the indenture were 5.67%, above the state's average of 2.89% for the corresponding period.	107.6 for the 1994 indenture, and 156 for the 1978 indenture	Karen Fitzgerald
AHFC -- veterans mortgage program bonds (AAA/Stable)		

VA guarantees are the largest source of mortgage insurance, 69.49%. About 5% are conventionally insured, 6% are FHA insured, and 18% are uninsured. As of Dec. 31, 2008, the delinquencies within the program were 0.64%, lower than the state's average of 2.27% for the corresponding period.	132 for the active parity resolution	Karen Fitzgerald
California Department of Veterans Affairs (AA-/Stable) Both revenue and GO bonds have the same 'AA-' rating. Collateral for the bonds includes the Veterans Farm and Home Building Fund of 1943, which benefits from overall high quality of the contracts of purchase (loans). The 1943 Fund posted a net loss of $3.5 million in fiscal 2008, which was its second-best performance during the last five years. About 58% of the contracts of purchase are uninsured, with 28% having conventional insurance (Radian Guarantee) and 14% having VA guarantees. As of Dec. 31, 2008, the delinquencies of loans within the indenture were 4.39%, higher than the state's average of 2.14% for the corresponding period.	110	Karen Fitzgerald

*Multiple ratings represent different classes of bonds within the same indenture, which is a characteristic of some western U.S. HFA indentures. ¶Comparisons of delinquency between HFA indentures and state averages are based on a weighted average of loan type that reflects that of the indentures. For example, the state averages for Alaska are different because they are based on loan types that match those of each indenture.

Single-Family Indenture Rating Distribution



Outlook/CreditWatch Changes

Table 2

Outlook/CreditWatch Changes

Published Name	Outlook To	Outlook From	Date	Comment
Minnesota Housing Finance Agency -- residential housing finance bonds	Positive	Stable	01/07/08	The positive outlook reflects our outlook on the agency's ICR, which reflects the improving capital adequacy of the agency coupled with what we consider very strong financial performance, managerial strength, and a strong state economy. Should the ICR be upgraded, the rating of the program will likely also be upgraded.

Table 2

Outlook/CreditWatch Changes (cont.)				
California Housing Finance Agency (Cal HFA) -- home mortgage revenue bonds	Negative	Stable	02/27/09	The negative outlook for the rating on the HMRB program reflects our assessment of the reliance on Cal HFA to support the program from its general fund. Should the issuer's capital adequacy experience additional stress for other needs of Cal HFA, the rating could be downgraded. If the GO pledge remains within Cal HFA's capital capacity, the rating may be maintained.
Vermont Housing Finance Agency -- single-family housing bonds	CreditWatch Negative	Stable	04/07/09	Standard & Poor's placed the bonds on CreditWatch with negative implications largely to reflect downgrades of the ratings of Mortgage Guaranty Insurance Corp. (MGIC) to BB/Watch Neg from A-/Watch Neg . Based on our criteria, the loan portfolio's concentration in MGIC-insured loans has resulted in increased loan loss assumptions.
Wisconsin Housing and Economic Development Authority -- home ownership revenue bonds (1987 resolution)	CreditWatch Negative	Stable	04/27/09	Standard & Poor's placed the bonds on CreditWatch with negative implications largely to reflect downgrades of the ratings on major U.S. mortgage insurers. Based on our criteria, the loan portfolio's concentration with primary insurance and exposure to pool policies provided by private mortgage insurers has resulted in increased loan loss assumptions.
Wisconsin Housing and Economic Development Authority -- home ownership revenue bonds (1988 resolution)	CreditWatch Negative	Stable	04/27/09	Standard & Poor's placed the bonds on CreditWatch with negative implications largely to reflect downgrades of f the ratings on major U.S. mortgage insurers. Based on our criteria, the loan portfolio's concentration with primary mortgage insurance and exposure to pool policies provided by private mortgage insurers has resulted in increased loan loss assumptions.
Alaska Housing Finance Corporation -- HMRBs	Positive	Stable	05/21/09	The positive outlook reflects the outlook of the agency's ICR, our view of the high levels of overcollateralization and strong performance of the assets within the indenture, and the state of Alaska's GO bond rating. We further expect that the state will continue to honor the terms of the 2003 dividend plan.

Rating Changes

Table 3

Rating Changes				
Published Name	**Rating To**	**Rating From**	**Date**	**Comment**
Vermont Housing Finance Agency (VHFA) -- single-family housing bonds	BBB+	A+	01/06/09	In our opinion, the downgrade reflects our view of insufficient reserves and agency operating funds to cover Standard & Poor's projected losses on the mortgage portfolio for a small state, the ongoing ratings deterioration of VHFA's primary private mortgage insurers, increased stresses on the cash flows associated with counterparties that provide GICs, and stresses from variable-rate debt.
Tennessee Housing Development Agency -- homeownership program bonds	AA+	AA	05/08/09	The upgrade reflects our opinion of very strong indenture cash flows, with asset-to-liability parity of 118%; very strong credit quality of the single-family loan portfolio, with approximately 80% of the loans guaranteed by VA, FHA, or USDA Rural Development; the program's recourse to the moral obligation of the state of Tennessee, currently rated 'AA+' by Standard & Poor's; and investments sufficient to support the 'AA' rating.

Credit Given to Mortgage Insurers as of May 19, 2009

Table 4

Credit Given to Mortgage Insurers as of May 19, 2009												
Insurer			**% Credit (based on the following ratings on indentures)**									
Name	**Rating**	**CAR**	**AAA**	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**
CMG	A/Negative	89	40	50	62	67	80	100	100	100	100	100

Table 4

Credit Given to Mortgage Insurers as of May 19, 2009 (cont.)												
RMIC	A-/Stable	125	45	50	56	60	69	82	100	100	100	100
Genworth	BBB+/Stable	122	35	39	44	47	54	64	78	100	100	100
UGC	BBB+/Negative	131	40	42	47	50	57	67	80	100	100	100
MGIC	BB/Watch Neg	106	0	0	0	0	0	0	0	0	0	0
PMI	BB-/Stable	105	0	0	0	0	0	0	0	0	0	0
Radian	BB-/Stable	95	0	0	0	0	0	0	0	0	0	0

Contact Information

Table 5

Contact Information

Name	Location	Phone	E-mail
Mikiyon Alexander	New York	212-438-2083	mikiyon_alexander@standardandpoors.com
Moraa Andima	New York	212-438-2734	moraa_andima@standardandpoors.com
Ryan Butler	New York	212-438-2122	ryan_butler@standardandpoors.com
Karen Fitzgerald	San Francisco	415-371-5023	karen_fitzgerald@standardandpoors.com
Carolina Patino	Chicago	312-233-7001	carolina_patino@standardandpoors.com
Steve Tencer	New York	212-438-2104	steve_tencer@standardandpoors.com
Edward Ubiera	New York	212-438-2034	edward_ubiera@standardandpoors.com
Lawrence Witte	San Francisco	415-371-5037	larry_witte@standardandpoors.com

Gaurav Rai contributed to this report.